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Have these 5 myths been holding you back from starting a business? Time for a reality check.

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When Wendy Kaufman started her business four years ago, she got a lot of input from people she knew-some useful, some not. The worst detractors cited statistics about small-business failure. "They tell you 90 percent of small businesses fail within five years," says Kaufman, the 43-year-old president of Balancing Life's Issues Inc., an executive training company in Ossining, New York. "It's like the cancer stats."

Kaufman tried to tune out the naysayers. "You end up being very careful about whom you talk to, because if all that negativity hits you on the wrong day, it can be very potent," she says. "You have to be the kind of person who says, 'I'm not going to listen to it.'"

More startup entrepreneurs should resolve to ignore those stats because there is no truth to the widely cited figures indicating such high failure rates. In effect, they and some other widely held ideas about entrepreneurship are urban legends--misconceptions that discourage or mislead people who are starting or trying to grow businesses.

The small-business failure legend purports to show that half of startups fold in the first year and 80 percent to 90 percent succumb after five years. But nobody seems to know where this stat originated. In fact, several well-documented studies indicate that starting a small business offers a much more reasonable chance of success. For instance, the SBA, using U.S. Census Bureau data, reports that almost half of new firms with at least one employee survive beyond four years.

This urban legend also suggests that businesses that closed were all failures. But the SBA, using another set of Census data, says a third of new businesses that closed in their early years were financially successful when they shut down. Jeff Williams, a business startup trainer in Arlington Heights, Illinois, says small businesses close for many reasons, and financial failure is not the main one.

"When I was researching my business concept, I interviewed owners of 100 businesses that had closed," says Williams. "I found that three-quarters were nowhere close to failing financially. They closed because of highly personal reasons, such as a health crisis, or they just woke up one day and [realized they] didn't enjoy it any longer."

The small-business failure myth is just one of many similar misconceptions that afflict entrepreneurs. Some tend to inhibit would-be business owners from taking the plunge to start their new ventures. Others unduly encourage them, or just point them in wrong directions. Here are some of the most common and pernicious urban legends of business ownership, along with the truth.

Myth #1: Do What You Love, and the Money Will Follow

Everybody agrees that entrepreneurs should feel strongly about their businesses, products, employees and customers. The belief that all you have to do is start a business you love is no

less widespread, but a lot more controversial.

"I hear it a lot," says Jason Felger, managing director of the Chicagoland Entrepreneurial Center, a nonprofit organization that assists emerging businesses. "They say if you're passionate about something and love what you do, then success will follow. And I do think passion or enjoyment of what you do is essential to being a successful entrepreneur, but it's not number one."

What's more important? Customers, to start with. "I don't care how passionate you are--unless somebody's going to want to buy what you're selling, there's no point in doing it," stresses Felger.

Too much passion can actually be dangerous. "A lot of people who feel that passionate about their business put on blinders about the economic viability of the business," says Kelly Mizeur, director of finance at the Women's Business Development Center in Chicago. "Just because they love it and need it doesn't mean the rest of the world does."

That level of passion can also be a problem when it comes to raising capital, since it can lead to unrealistic expectations, adds Peter Russo, director of the Entrepreneurial Management Institute at Boston University. "I've heard from many people [who think] that because they have a good idea, the money will come," says Russo. "But you also have to have a good network and be able to attract investors just as you would customers."

Even entrepreneurs agree that untempered passion can be a liability. Jacqueline Church Simonds had a yen to write a historical book about female pirates. "Because no one seemed too keen on a novel about a woman pirate captain, I became a publisher," says the Reno, Nevada, entrepreneur. She was passionate, but she was also able to expand her place in the market: After publishing her novel, Simonds began publishing other writers' work, then started distributing books for other small presses. Today, Beagle Bay Books generates \$500,000 annually, largely from selling an array of publishing services such as typesetting and cover design--far different from Simonds' original vision.

"What you think you're going to start out doing can morph on you," she says. "If it's not working, pay attention to the opportunities. I've seen a lot of people fail because they got rock-headed and wouldn't pay attention to the opportunities."

Successful entrepreneurs seem to blend passionate belief in the destiny of their venture with practical realizations. "Without the passion, to go into business would be a mistake," says Paul Rich, principal with Rothstein Kass Business Consulting Group, a New York City consulting firm. "But to have [only] passion is not nearly enough."

Myth #2: You'll Miss the Security of a Job

Is owning your own business less secure than working for somebody else? Many would-be entrepreneurs absolutely see it that way, according to Russo. "For people drawing a paycheck, it's difficult to [conceive of consistently] generating the revenue necessary to pay themselves."

However, jobs don't necessarily provide more security. The latest figures from the Bureau of Labor Statistics show that in January 2004, the median length of time workers had been with their current employers was four years. When you compare that to the fact that only about

half of new employer companies will be around for more than four years, self-employment doesn't look so risky. "The safe job? There's no such thing," says Mizeur.

Entrepreneurs don't consider having one job nearly as secure as having many customers. "When I quit my job, people were telling me I was crazy," says Jeffrey Henning, co-founder of Perseus Development Corp., a \$10 million, 62-employee enterprise feedback and management solutions provider in Braintree, Massachusetts. "I told them they had the illusion of security."

Henning argues that employees can be pink-slipped at any time, for reasons unrelated to individual performance, and thereby lose their sole source of income. "We have 20,000 customers," he says. "If I lose a customer, it isn't 100 percent of my income."

Myth #3: If You Don't Grow, You'll Die

People often assume all business owners want to rule over vast commercial empires someday. In fact, critics tell entrepreneurs that if their company isn't growing rapidly, they're doomed to failure. "People tell me that," Henning confirms. "Usually it's the shark story, about how if it doesn't keep moving, it dies."

But for its first four years, Henning's company consisted of only him and his partner. "From that outside measure, it was a failure," he says. "We certainly weren't growing. But we were learning." Eventually, they hit on the solution of offering web-based surveying software to large companies and grew quickly to their present size.

Growth at all costs simply isn't a viable strategy for many companies. "I have seen growth crush companies that don't have the back office necessary to manage or service their growth," warns Mizeur. Chasing growth can lead small firms to discount their prices too deeply, take on large contracts that make them too reliant on one customer, or incur crushing debts to service big accounts that suddenly go somewhere else.

Myth #4: If It's Such a Good Idea, Somebody Would Have Thought of It Already

Uncertainty is a big part of starting a business. It doesn't help when you're told you probably aren't smart enough to have thought of something genuinely new. That's what Kaufman heard from many people when she was starting her training firm. "What makes my corporate training company different?" she wondered. "Why would a company use my company?"

Rather than submit to the critics, Kaufman focused on making reliability a differentiating point. "If a task is given to my company, it's delivered 100 percent of the time--not 98 percent," she says. Kaufman found that, indeed, there was room in the market for her firm.

Closely related misconceptions include the one that says you must keep your business idea secret for fear of copycats. That leads new entrepreneurs to be overly protective, says Williams. "They don't want to write down their idea because they're afraid somebody will steal it. But I've never seen it happen. It takes a complicated operations plan to make a product into a stream of revenue, and that takes a long time. They're not going to whip that up overnight."

A variant states that even if you manage to keep your idea secret until you bring it to market, a big competitor will copy it and put you out of business. That myth kept VCs from funding Henning's efforts to start a company around a graphics product in the early 1990s. "They said

it was such an obvious idea, Microsoft was going to copy it," he recalls. "But that was 1992, and nobody's ever done it."

Myth #5: You Can't Start a Business Without a Lot of Money

Lack of capital is often cited as one of the prime causes of small-business failure. While the amount varies depending on the business--it costs more to open a semiconductor plant than a homebased marketing firm--the evidence suggests that capital isn't quite the all-determining factor it's sometimes made out to be.

The average entrepreneur starting a one-person business plans to get underway with about \$6,000, according to a 2003 SBA study. Businesses that involve teams of founders shoot a little higher, aiming for \$20,000 in startup capital. While that's not peanuts, it flies in the face of the common perception that it takes a great deal of money to start a business.

Entrepreneurs who've been there suggest you can get underway for even less. Kaufman says she began her business with less than \$100. Henning started with virtually nothing, generating income for his new venture from consulting gigs before investing any of his own money into it. "I don't think you need money," he says. "The discipline of finding customers and selling to them is what any business needs to do, and you might as well start early."

The mythology of entrepreneurship is a rich one. In addition to these urban legends, experts advise you to be skeptical of stories about government grants to start profit-making ventures, opportunities for small firms to go public and many others. And while you're exercising your skepticism, apply it to the warnings we're giving as well. Urban legends stick around because they strike a nerve, and if you approach them properly, you can get some benefit from hearing them.

"The one thing about the myth of the failure rate is that it keeps you on your toes," says Kaufman. "I'm driven to continue the success of the company, and I love to hear what I'm doing right, but I'd rather focus on what I could be doing differently."

Busting Urban Legends

The last thing anybody wants to do is try to start or grow a business on the basis of a misconception. However, it's not always easy to tell fact from fiction. Myths, urban legends, old wives' tales and similar bits of information are often hard to believe, but for one reason or another, we want to believe. If you run across something you feel may be a myth, misconception or urban legend of entrepreneurship, give it these tests:

- 1. Is the story strikingly surprising, or does it convey a message that is far from what you would expect to be the case?** Many myths seem to survive because they're so hard to believe, you think nobody would make them up.
- 2. Is it something that everybody seems to know, but nobody really knows where it came from?** When the examples you hear always seem to involve a friend of a friend of a friend, be suspicious.
- 3. When all else fails, check references.** The [SBA](http://www.sba.gov) website is well-indexed and searchable, and it has good information on a variety of business issues. Many public libraries subscribe to electronic article databases that can be used to check facts, in some cases without leaving your own desk. Finally, if you think you're up against a true urban legend, visit one of the

websites devoted to the topic, such as the Urban Legends Reference Pages at www.snopes.com.

A Glimmer of Truth

Not all urban legends are false, and the same is true about the legends of business. For instance, the legend about M&M maker Mars Inc.'s famous marketing misstep--turning down a chance to have its product used in the movie *E.T.* and leaving the door open for rival Reese's Pieces--is true. It's also true that an ad campaign sharply increased sales of Alka-Seltzer by simply urging consumers, who had been told to take one of the fizzy tablets, to take two instead. There's probably a lesson there.

And sometimes, false legends become true when savvy marketers capitalize on them. Take the infamous Neiman Marcus cookie recipe legend. In this fable, a shopper is charged \$250 for instructions to make chocolate chip cookies instead of the \$2.50 she was expecting. To even the score, she supposedly began giving everyone she met the recipe. For a long time, the department store refuted the story. But then, to exploit the popularity of the venerable rumor, the store began selling cookies and also providing the recipe--for free.

Mark Hendricks writes on business and technology for leading publications and is author of Not Just a Living.

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